consolidated

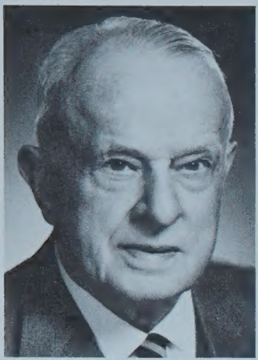
1969 ANNUAL REPORT

building corporation

consolidated building corporation limited
1969 annual report

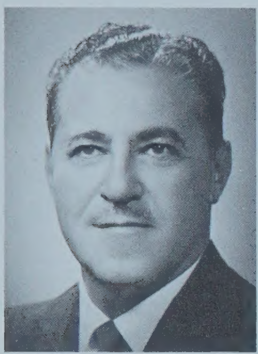
— Walmer Place Apartments

HEAD OFFICE	99 Avenue Road Toronto 180, Ontario
AUDITORS	Clarkson, Gordon & Co.
CORPORATE COUNSEL	Gardiner, Roberts, Anderson, Conlin, Fitzpatrick, O'Donohue & White
TRANSFER AGENT AND REGISTRAR	Guaranty Trust Company of Canada
LISTED ON	Toronto Stock Exchange Montreal Stock Exchange Vancouver Stock Exchange


George H. Beeston

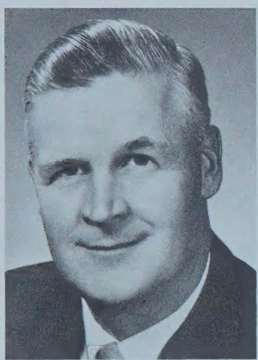

John H. Brown


John D. Fienberg


W. Bernard Herman, Q.C.


W. Vernon Howe,


Walter A. Keyser


Melville O'Donohue, Q.C.


Lawrence Shankman


Louis Stulberg

BOARD OF DIRECTORS

George H. Beeston
Vice President and Treasurer
Empire Films Limited
Vice President
Consolidated Building Corporation Limited

John H. Brown
Senior Vice President
Gairdner & Company Limited

John D. Fienberg
President and Chairman
Anlouis Investments Limited

W. Bernard Herman, Q.C.
President
City Parking Canada Limited

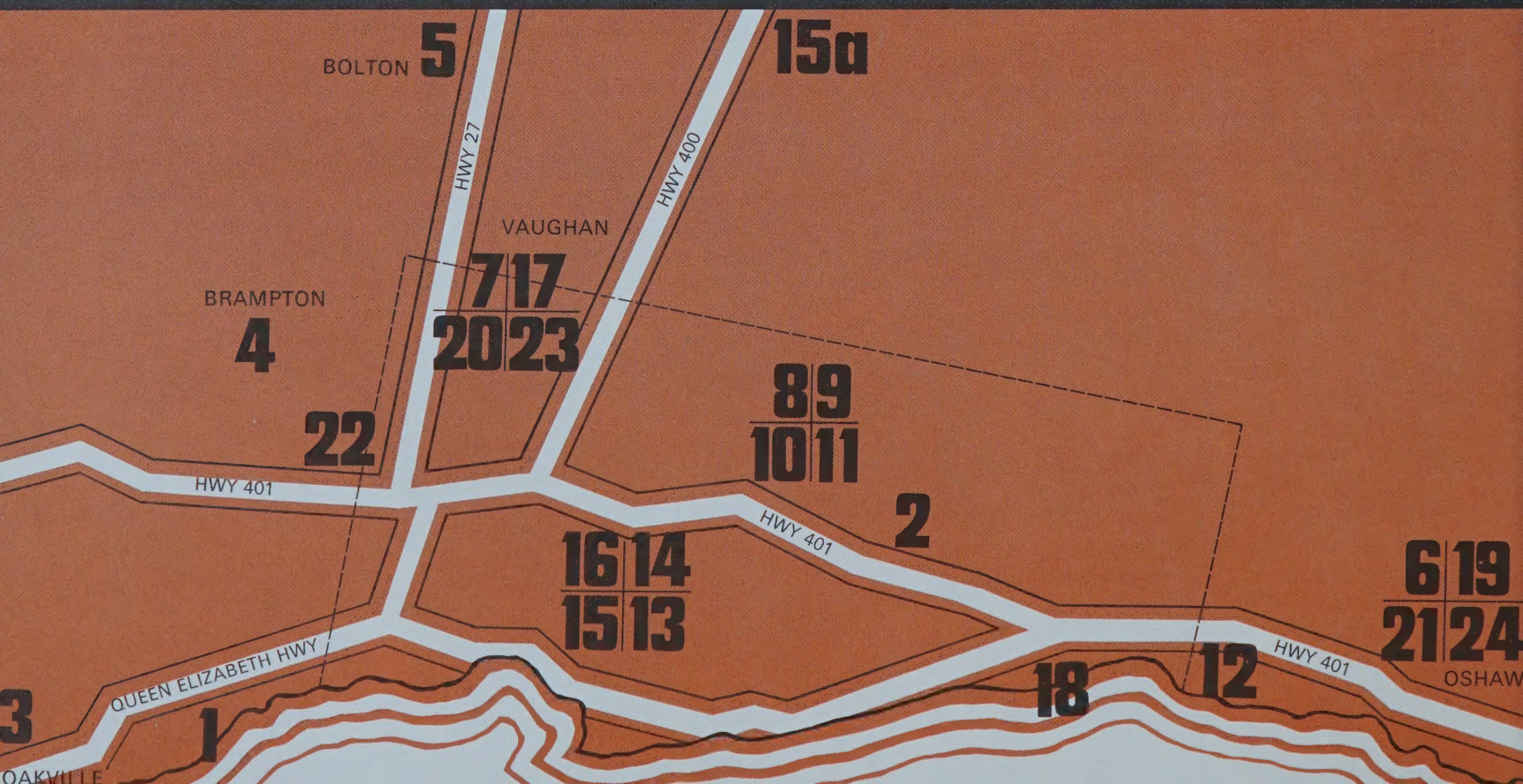
W. Vernon Howe, B.Comm., C.A.
Vice President, Finance
Consolidated Building Corporation Limited

Walter A. Keyser
Director
Gairdner & Company Limited

Melville O'Donohue, Q.C.
Partner
Gardiner, Roberts, Anderson, Conlin,
Fitzpatrick, O'Donohue & White

Lawrence Shankman
President and Chairman
Consolidated Building Corporation Limited

Louis Stulberg
Vice President and Secretary-Treasurer
Consolidated Building Corporation Limited



OFFICERS

President and Chairman of the Board
Lawrence Shankman

Vice President and Secretary-Treasurer
Louis Stulberg

Vice President
George H. Beeston

Vice President
Francis D. Cavill

Vice President, Finance
W. Vernon Howe, B.Comm., C.A.

Vice President, Construction
James McFarlane

Vice President, Land Development
Somer Rumm


James McFarlane


Francis D. Cavill


Somer Rumm

consolidated building corporation

PROPERTIES AND DEVELOPMENTS — METROPOLITAN TORONTO AREA

Housing Subdivisions — Under Construction

1. Town of Mississauga — Meadow Wood
2. Borough of Scarborough — Stubbswood Square
3. Town of Oakville — Oakdale Park

Housing Subdivisions — In Planning

4. Town of Brampton
5. Town of Bolton
6. Town of Whitby
7. Township of Vaughan

Income Producing Properties

8. Borough of North York — Allenbury Gardens
9. — Parkchester
10. — Spanish Villa
11. — Royal Hill Apartments
12. Township of Pickering — Bayshore Heights
13. City of Toronto — Regency Towers Hotel
14. — office building - 99 Avenue Road
15. — office building - 260 Richmond W.
15A. Barrie — Shopping Plaza

Income Properties — In Planning

16. City of Toronto — Walmer Place Apartments
(see illustration — page 1)

Apartment Subdivisions — In Planning

17. Township of Vaughan
18. Borough of Scarborough
19. Town of Whitby

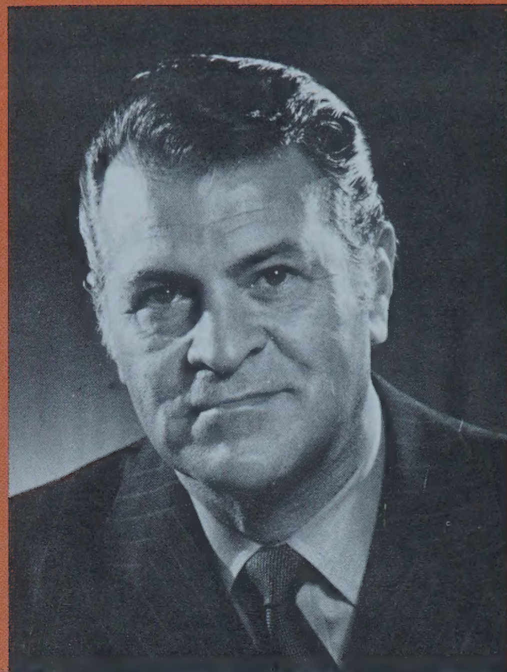
Industrial Subdivisions — In Planning

20. Township of Vaughan
21. Town of Whitby
22. Township of Mississauga

Commercial Properties — In Planning

23. Township of Vaughan
24. Town of Whitby

PRESIDENT'S REPORT
To The Shareholders



I am pleased to report on the progress of your Company for the year ended February 28th, 1969, and trust that you will be gratified by the results which have been achieved.

The highlights of the year were the improvements in earnings and in the financial position of the Company and, more important, the development of opportunities to provide increased growth and earnings in the years to come through the acquisition of large land assemblies.

FINANCIAL

During the year under review, your Company earned a profit of $470,947 before taxes, an increase of 570% over the profit of $70,062 earned the previous year. In the 1969 fiscal year, the Company commenced providing income taxes on reported earnings and accordingly provided deferred income taxes of $231,000 in arriving at net earnings of $239,947.

The Company will not have to pay income taxes for the current year, nor do we anticipate that the Company will have to pay income taxes for some years because it is entitled to apply deductions amounting to $2,200,000 against taxable income of future years.

The basis of depreciation was changed on income producing properties from the declining balance to the sinking fund method. We believe that the sinking fund method, which has found wide acceptance in real estate accounting, provides a more equitable distribution of total charges against investment properties over their useful life. Had the previous basis been continued, the earnings for the year would have been lower by approximately $46,000.

During the year, a further $200,000 of 6¼% sinking fund debentures were purchased for cancellation. Subsequent to the year end, the bank loan was reduced to approximately $1 million, the lowest since 1964.

OPERATIONS

The Company has completed construction of a 500,000 square foot industrial development in Scarborough and sold the remaining building for $1,700,000 cash. A portion of the earnings from this sale was reflected in the 1969 fiscal year.

The volume of houses constructed and sold in four developments this year was approximately at the same level as in the prior year. However, efficiencies in cost of construction and sales resulted in a considerable improvement in per unit profit. Our acquisition of a substantial inventory of building lots should enable us to show a marked increase in residential sales in the coming year.

At the year end, the Company carried an inventory of approximately 100 houses in various stages of construction. Approximately 50% of these have subsequently been completed and sold.

New housing developments are expected to get under way this year in Oakville, Bolton and Brampton. In addition, your Company plans to enter a new market with the construction of condominiums, by which home ownership will be made economically feasible to a great number of families who presently cannot afford to buy a house.

MANAGEMENT

I am pleased to announce the recent appointment of Francis D. Cavill as a Vice President of the Company. Mr. Cavill, a land economist with a thirty year background in real estate, has just completed twelve years' service with the Municipality of Metropolitan Toronto as its Property Commissioner. His experience, knowledge and administrative abilities will add to the depth of our management team.

Your Board of Directors has initiated a stock option plan for key employees to ensure their continued employment and dedication to serving your Company.

W. Vernon Howe, Vice President, Finance, Consolidated Building Corporation Limited, and George H. Beeston, a Vice President of the Company and Vice President and Treasurer of Empire Films Limited, were elected to the Board of Directors last year. John H. Brown, Senior Vice President, Gairdner & Company, was appointed to the Board to replace J. Howard Hawke of the same firm. The addition of these gentlemen to the Board will further strengthen the effectiveness of your Company.

FUTURE PROSPECTS

A real estate company depends on its inventory for future development and growth. During the year, your Company substantially increased its inventory of land through agreements with Empire Films Limited and associates. We have acquired from Empire an option to purchase, on or before October, 1970, at cost, an assembly of land. These lands, valued at the time of the option at $5 million, has since appreciated considerably in market value and there is every expectation that this option will be exercised. The Company has granted an option to Empire Films Limited to purchase one million common shares from the treasury of the Company at $2.00 per share on or before September, 1970. These two options are independent of each other with regard to exercise rights.

In addition, your Company has acquired control of lands for development in 1970/71 in excess of $5 million. We now hold land inventories in Toronto, Scarborough, Oakville, Whitby, Pickering, Bolton, Brampton, Vaughan and Montreal. Because some of these are recent acquisitions, the total inventory is not reflected in the year end balance sheet nor are other acquisitions presently under negotiation.

Worthy of special mention in the Company's future residential development plans is a redevelopment project in the Town of Oakville. Along with our partner in this project, the Company will commence construction in July on 800 low cost housing units. In cooperation with the Town of Oakville, we have developed a plan to produce houses at a sale price which is well below the local market but which will ensure a guaranteed profit for the Company. In view of the low prices at which we shall be able to market these homes, we anticipate the completion of this development in 18 months.

Construction is to commence shortly on the Company's property at Bloor Street and Walmer Road in downtown Toronto. This project, estimated to cost $3½ million, will consist of 20 stories of apartments, commercial and retail space with sports and recreational facilities as well as park-like areas on the second floor promenade and on the roof top. From advance rental enquiries, we anticipate this building will be leased in full soon after completion.

This building will be added to our $12 million portfolio of income producing properties. Profits and cash flows from these properties have increased and present market values are considerably in excess of depreciated book costs.

The results achieved in the year under review and the position of the Company at year end project a new note of optimism into the years ahead. Earnings were up substantially and both current and funded debt were reduced significantly.

More important is the fact that your Company has acquired a substantial inventory of land, building lots and apartment sites which will provide the opportunity for increased growth and earnings in the years to come. After a critical review of the year's results and the Company's present position, I am confident that the Company will continue the upward trend.

On behalf of the Board of Directors, I wish to thank a devoted staff and to express appreciation to the Company's associates and shareholders.

May 23, 1969

L. Shankman

L. SHANKMAN

President and Chairman of the Board

consolidated building corporation limited

(and subsidiary companies)

CONSOLIDATED BALANCE SHEET

FEBRUARY 28, 1969

(with comparative figures for 1968)

ASSETS

Current assets

	1969	1968
Cash	$ 15,179	$ 11,573
Receivables and accrued revenue in 1969	3,306,446	2,764,125
Deposits on land	234,045	142,242
Houses completed and under construction (including land) — at cost less mortgage advances received thereon (note 2)	1,892,646	944,487
Real estate held for development and sale — at lower of cost and estimated realizable value (note 2)	2,231,930	3,152,579
Prepaid expenses and sundry assets	206,589	153,439
Total current assets (note 11)	7,886,835	7,168,445
Mortgages receivable less allowance for loss	1,936,510	1,759,001
Sundry investments and advances (note 1)	143,047	200,729
Investment properties — at cost (note 3)		
Buildings	9,035,879	9,578,757
Equipment	733,507	737,592
Leasehold improvements	418,178	377,641
Parking lot	274,344	274,344
	10,461,908	10,968,334
Less accumulated depreciation and amortization (note 10)	1,702,878	1,535,953
	8,759,030	9,432,381
Land	1,465,895	1,605,156
	10,224,925	11,037,537
Unamortized financing costs	422,848	478,860
Excess of cost over book value of investment in subsidiaries at date of acquisition	99,700	99,700
	$20,713,865	$20,744,272

On behalf of the Board:

LAWRENCE SHANKMAN, Director
LOUIS STULBERG, Director

See accompanying nc

LIABILITIES

Current liabilities

	1969	1968
Due to bankers (note 4)	$ 2,481,514	$1,923,414
Accounts payable and accrued liabilities	2,202,042	1,428,230
Tenants' and other deposits	202,086	218,809
Mortgages and secured payables	1,334,700	1,997,885
Other long term debt due within one year (note 5)	576,795	493,115
Total current liabilities (note 11)	6,797,137	6,061,453
Long term debt (note 5)		
Mortgages payable on investment properties	7,525,703	8,479,061
6¼% sinking fund debentures due February 1, 1979	4,400,000	4,600,000
	11,925,703	13,079,061
Less portion due within one year	576,795	493,115
	11,348,908	12,585,946
Deferred income taxes (note 6)	231,000	
Contingent liabilities (note 8)		
Total liabilities	18,377,045	18,647,399

SHAREHOLDERS' EQUITY

Capital stock (note 9)

Authorized	Issued		1969	1968
988,100	288,100	First preference shares with a par value of $10 each — issuable in series — 6% cumulative redeemable preference shares, Series A	2,881,000	2,881,000
6,000,000	3,669,126	Common shares without par value	2,317,589	2,317,589
Deficit			(2,861,769)	(3,101,716)
			2,336,820	2,096,873
			$20,713,865	$20,744,272

o financial statements

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended February 28, 1969

(with comparative figures for 1968)

	1969	1968
Revenue:		
Sales of real estate	$ 7,580,251	$10,191,283
Gross income from investment properties	2,845,135	3,184,325
Interest and sundry income	239,682	352,032
Excess of par value over cost of debentures purchased for cancellation (note 5)	51,500	56,000
	10,716,568	13,783,640
Expenditures:		
Cost of real estate sold	6,456,555	9,351,528
Operating expenses of investment properties (excluding interest and depreciation)	1,912,842	2,113,655
Selling, general and administrative expenses	481,297	419,138
Interest expense (note 12)	1,121,305	1,413,029
Depreciation and amortization of investment properties (note 10)	217,610	329,561
Amortization of financing costs	56,012	86,667
	10,245,621	13,713,578
Earnings for the year before income taxes	470,947	70,062
Provision for deferred income taxes (note 6)	231,000	
Earnings for the year	$ 239,947	$ 70,062

CONSOLIDATED STATEMENT OF DEFICIT

For the year ended February 28, 1969

(with comparative figures for 1968)

	1969	1968
Deficit, beginning of year	$ 3,101,716	$ 2,919,778
Earnings for the year	239,947	70,062
	2,861,769	2,849,716
Provision to reduce mortgage (in default) received in a prior year to estimated realizable value		252,000
Deficit, end of year	$ 2,861,769	$ 3,101,716

See accompanying notes to financial statements

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS
For the year ended February 28, 1969
(with comparative figures for 1968)

	1969	1968
Source of funds:		
Earnings for the year	$ 239,947	$ 70,062
Add — depreciation and amortization of investment properties	217,610	329,561
— deferred income taxes	231,000	
— other non-cash charges	56,012	69,270
Funds from operations	744,569	468,893
Net book value of investment properties sold	749,509	3,684,717
Less — existing mortgages assumed by purchasers	(500,000)	(3,027,490)
— mortgages taken back on sales		(470,350)
	249,509	186,877
Decrease in sundry investments and advances	57,682	
New mortgage financing		400,000
Total	1,051,760	1,055,770
Use of funds:		
Investment properties acquired and fixed asset additions	154,507	2,285,098
Less mortgages thereon assumed by Company		1,835,000
	154,507	450,098
Increase in mortgages receivable arising from sales of real estate	177,509	607,346
Reduction in non-current portion of shareholders' advances		143,824
Reduction in long term debt	737,038	507,653
Other		(5,166)
Total	1,069,054	1,703,755
Decrease in working capital	17,294	647,985
Working capital, beginning of year	1,106,992	1,754,977
Working capital, end of year	$ 1,089,698	$ 1,106,992

See accompanying notes to financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, FEBRUARY 28, 1969

1. *Principles of consolidation*

The accounts of all subsidiary companies have been included in the consolidation. The Company's investment in joint ventures is carried at the value of its equity therein in the item "Sundry investments and advances" in the accompanying balance sheet.

2. *Real estate held for development and sale, and houses completed and under construction*

These include the cost of land, land improvements, building construction and establishment costs and all carrying charges less mortgage advances of $606,000 received with respect to house construction inventories. The Company's accounting procedures relating to land and house construction inventories provide for the immediate write-off of any costs which are not recoverable from the profits on future sales. Accordingly, the carrying value of these inventories is less than estimated realizable value.

3. *Investment properties*

The Company constructs and operates properties of an investment nature, some of which may be sold from time to time, when, in the judgment of the Board of Directors, such sales are in the Company's best interest. These properties are carried at cost including mortgage interest, property taxes, legal fees and certain overhead expenses capitalized during the construction and initial leasing periods.

4. *Bank indebtedness*

The Company and a subsidiary have issued and deposited with their bankers as collateral security, demand debentures in respect to the bank loans and letters of credit outstanding. These debentures are secured by a first floating charge on the assets of the Company. In addition, accounts receivable and certain mortgage receivables have been assigned to the bankers.

5. *Funded debt*

Mortgages payable on investment properties include principal repayments due over the next five years as follows:

Year ending February 28, 1970	$ 376,795
Year ending February 28, 1971	1,904,675
Year ending February 29, 1972	171,984
Year ending February 28, 1973	163,192
Year ending February 28, 1974	155,045

The 6¼% sinking fund debentures, Series A are unsecured and were issued by the Company pursuant to a trust indenture dated January 15, 1964, which provides that the Company is to retire by means of a sinking fund, $200,000 on February 1, 1970 (included in current liabilities), increasing to $400,000 on February 1 in each of the years 1971 to 1975 inclusive, and to $700,000 in each of the years 1976 to 1978 inclusive.

The trust indenture also provides that dividends on common shares may only be paid from the total of the consolidated net earnings subsequent to August 31, 1963 plus the net cash proceeds to the Company of the issue, after August 31, 1963, of any of its shares. As a result of this provision, the total of consolidated net earnings subsequent to February 28, 1969 and net cash proceeds from the issue of shares after that date will have to amount to approximately $7,200,000 (exclusive of preference share dividends in arrears) before dividends may be paid on common shares.

The trust indenture provisions do not apply to prevent the payment of dividends on the 6% cumulative redeemable preference shares, Series A.

6. *Income taxes*

For 1968 and prior fiscal years, the tax provision charged against earnings was based on income taxes payable in respect of each fiscal year. It is the Company's practice to claim maximum capital cost allowances for income tax purposes which are in excess of recorded depreciation and to claim in the year incurred interest and other carrying charges capitalized in the accounts. In addition, the Company has deferred certain real estate profits permitted by tax legislation. Tax reductions realized prior to March 1, 1968 as a result of claiming excess capital cost allowances and other timing differences (not reflected in the accounts as deferred income taxes) amount to $324,000.

Effective with the 1969 fiscal year, the Company changed its policy to providing income taxes on reported earnings, and accordingly, charged deferred income taxes of $231,000 on the 1969 earnings. These taxes are not currently payable, but have been deferred to those future years when income taxes payable may exceed income taxes charged against reported earnings.

In addition to the timing differences which have resulted in deferred income taxes of approximately $555,000 at February 28, 1969 (of which $231,000

is reflected in the accounts), the Company is entitled to apply further capital cost allowances and other deductions for tax purposes aggregating $2,200,000 against taxable income of future years.

7. *Commitments*

The Company, in the ordinary course of business, has options and agreements to purchase various parcels of land in and near Metropolitan Toronto which may be developed and/or resold. Acquisitions in this connection will be financed under a number of alternatives, including joint venture arrangements.

The Company leases certain premises under a long term lease arrangement requiring an approximate annual rental of $242,000, exclusive of real estate taxes, insurance, maintenance and repairs, which are estimated at approximately $210,000. Rental income from these premises is estimated at $430,000 for the year ending February 28, 1970. The lease contains an option to purchase the leased premises.

8. *Contingent liabilities*

The Company has lodged letters of credit aggregating $638,000 with municipalities as security for the fulfilment of its obligations under certain subdivision agreements.

The Company is jointly and severally liable on a mortgage on the Don Valley Shopping Centre in the amount of $720,000 which is payable by joint venture in which the Company has a 50% interest.

The Company is a party to an action with respect to certain building lots in the Province of Quebec which, if unsuccessful, could result in a loss to the Company of approximately $200,000. No provision has been made in the accounts for this possible loss as it is the opinion of management that the Company has a valid claim.

The Company has initiated foreclosure action on a mortgage which matured in 1967. The carrying value of this mortgage as written down in the 1968 fiscal year takes into account both the Company's claim for foreclosure and the defendants' counterclaim.

9. *Capital stock*

Series A first preference shares:
Under certain conditions attached to the first preference shares, the Company is required to set aside the amount of $150,000 annually with an overall limitation of $300,000 at any one time as a purchase fund for the purchase and cancellation of the preference shares. The amount set aside is to be applied as soon as practicable to the purchase of Series A preference shares in the market, subject to certain price limitations. Subsequent to May, 1963, the Company has not complied with this condition.

As at March 1, 1969, dividends on preference shares were in arrears to the extent of eleven quarterly payments or $475,365. No dividends may be paid on common shares while preference share dividends are in arrears.

As long as dividends on the preference shares are in arrears to the extent of six or more quarterly payments, the holders of the preference shares shall be entitled to one vote in respect of each preference share held and in addition, voting separately and exclusively as a class, to elect three members of the Board of Directors of the Company.

Common shares:
Share purchase warrants are outstanding which entitle the bearer to purchase common shares of the Company at any time up to and including June 30, 1969 at a price of $14 per three shares, at which time the share purchase warrants expire. No shares were issued during the year. At February 28, 1969, 305,874 of the authorized and unissued common shares were reserved for possible issue on exercise of the rights attached to the outstanding share purchase warrants.

During the yéar, the Board of Directors granted the following options to purchase common shares of the Company:

— 55,000 shares at $2.55 per share to officers and employees, exercisable in varying numbers between July 1, 1969 and October, 1972;

— 35,000 shares at $3.35 per share to an officer designate, exercisable in varying numbers between July, 1969 and March, 1974;

— 60,000 shares at $3.40 per share to senior officers, exercisable between July 1, 1969 and March, 1972. This option was made to partially reimburse the officers for shares which they have agreed to sell at $2.55 per share to a third party, as a commission for arranging financing for the Company.

— 1,000,000 shares at $2.00 per share to Empire Films Limited and associates, such option to cover all but not less than all of the 1,000,000 shares and to expire August 20, 1970, in consideration for options granted the Company to acquire certain lands near Metropolitan Toronto (which lands were acquired coincidentally by the optionees), on or before October 31, 1970.

At February 28, 1969, 1,150,000 of the authorized and unissued common shares were reserved for possible exercise of the options referred to above.

10. *Depreciation*

Up to February 29, 1968, the bases for providing depreciation were:

Buildings — 2½% on the undepreciated balance

Parking lot — 2% on the undepreciated balance

Equipment — 10% straight line

Leasehold improvements
— equally over the terms of leases

For the year ended February 28, 1969, the Company changed the basis of providing depreciation on buildings and parking lot to a 4% sinking fund method. The depreciation charge will consist of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum so that each asset will be fully depreciated 40 years after its construction or purchase. Had the previous basis of providing depreciation been continued in 1969, net earnings for the year would have been lower by approximately $46,000.

11. *Current assets and liabilities*

All real estate held is available for current sale or development and accordingly the carrying value of these assets has been included in current assets. The mortgages payable thereon, some of which have a two year term or longer, have been included in current liabilities. Receivables which include balances due within a two year period on land sales have also been classified as current assets in the accompanying balance sheet.

12. *Statutory information*

The aggregate direct remuneration paid by the Company and its consolidated subsidiaries in the 1969 fiscal year to directors and senior officers amounted to $146,000. Interest on debt initially incurred for a term of more than one year totalled $941,000 in the year, excluding $96,000 which was capitalized in the accounts.

AUDITORS' REPORT

To the Shareholders of
Consolidated Building Corporation Limited:

We have examined the consolidated balance sheet of Consolidated Building Corporation Limited and subsidiary companies as at February 28, 1969 and the consolidated statements of earnings, deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at February 28, 1969 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes in accounting for income taxes and depreciation described in notes 6 and 10 to the financial statements.

Toronto, Canada
May 23, 1969

CLARKSON, GORDON & CO.
Chartered Accountants